

 Scott's *Restaurants Co. Limited*



Annual Report — December 30, 1973

Directors and Officers



DIRECTORS

GEORGE R. GARDINER

F. RONALD GRAHAM

WILLIAM J. BUSHNELL

ROBERT A. STEVENS

JOHN J. LEON

JOHN E. COLES

MRS. HELEN D. PHELAN

THE HON. SALTER A. HAYDEN, Q.C.

LEON SIMARD

GEORGE S. MacDONELL

OFFICERS

GEORGE R. GARDINER

Chairman of the Board

F. RONALD GRAHAM

Vice-Chairman of the Board

JOHN J. LEON

President

PETER J. M. BURGER

*Vice President; General Manager
Take-Out Operations — Ontario*

THOMAS W. CHASE

*Vice President; General Manager
Food Service Operations*

MELVILLE W. FANSHAW

*Vice President; General Manager
Take-Out Operations — Quebec*

JAMES G. GIBSON

Vice President; Finance and Treasurer

EDMUND V. GRAHAM

Secretary

Head Office

2000 Jane Street, Weston, Ontario

Solicitors

McCarthy & McCarthy

Registrars and Transfer Agents

Montreal Trust Company

Bankers

The Royal Bank of Canada

Auditors

Campbell, Lawless & Punchard

Listed

Toronto Stock Exchange

Montreal Stock Exchange

Scott's Restaurants Co. Limited

and subsidiary companies

Assets

Current

	1973	1972
Cash and short term investments	\$ 4,516,390	\$ 2,264,607
Accounts receivable	158,331	241,761
Inventories at cost	505,794	411,984
Deposits and prepaid expenses	74,904	85,292
	<u>5,255,419</u>	<u>3,003,644</u>

Other

Franchises, at cost less amortization (note 2)	2,593,538	2,721,064
Mortgage due 1978	225,099	

Fixed — at cost

Land	4,069,847	3,154,670
Buildings	9,378,543	7,610,137
Equipment and motor vehicles	7,289,068	6,187,499
Leasehold improvements	1,810,620	1,491,951
	<u>22,548,078</u>	<u>18,444,257</u>
Less accumulated depreciation and amortization (note 2)	4,351,366	3,300,783
	<u>18,196,712</u>	<u>15,143,474</u>
	<u>\$26,270,768</u>	<u>\$20,868,182</u>

Approved on behalf of the Board

George R. Gardiner, *Director*

J. J. Leon, *Director*



Consolidated Balance Sheet

December 30, 1973

Liabilities

Current

	1973	1972
Accounts payable and accrued expenses	\$ 3,194,501	\$ 3,639,600
Income taxes payable	791,786	485,607
	3,986,287	4,125,207
Mortgages payable	70,000	16,000
Deferred income taxes (note 3)	587,146	552,146
	4,643,433	4,693,353

SHAREHOLDERS' EQUITY

Share Capital (notes 4 and 5)	5,736,106	5,673,106
Retained Earnings	15,891,229	10,501,723
	21,627,335	16,174,829
	\$26,270,768	\$20,868,182

Auditors' Report

To the Shareholders of Scott's Restaurants Co. Limited

We have examined the consolidated balance sheet of Scott's Restaurants Co. Limited and its subsidiaries as at December 30, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 30, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 8, 1974

Campbell, Lawless & Punchard
Chartered Accountants

Consolidated Source and Application of Funds

Year ended December 30, 1973

SCOTT'S RESTAURANTS CO. LIMITED

and subsidiary companies

Source of Funds

	1973	1972
Net earnings	\$5,389,506	\$4,035,369
Add expenses included therein not requiring a current outlay of funds		
Depreciation and amortization of improvements	1,196,204	938,427
Amortization of franchises	127,526	111,343
Deferred income tax	35,000	150,567
Funds received from operations	6,748,236	5,235,706
Common shares issued for cash	63,000	24,500
Mortgages payable	54,000	
Total funds received	6,865,236	5,260,206

Application of Funds

Purchase of fixed assets (1972 — purchase of goodwill, franchise and fixed assets)	4,280,842	5,402,075
Retirement of and decrease in long term debt		39,980
Mortgage receivable	225,099	
Total of funds expended	4,505,941	5,442,055
Increase (decrease) in working capital	\$2,359,295	\$(181,849)



Notes to the Consolidated Financial Statements

December 30, 1973

SCOTT'S RESTAURANTS CO. LIMITED

1. Principles of consolidation

The accompanying consolidated financial statements include the accounts of Scott's Restaurants Co. Limited and its subsidiaries, all wholly owned.

2. Amortization and depreciation policies

The cost of franchises purchased is being amortized over the term of the franchise agreement with Colonel Sanders Kentucky Fried Chicken Ltd. which terminates in 1994. Amortization provided in the year amounted to \$127,526 (1972 — \$111,343).

Depreciation on fixed assets has been provided at the following rates:

Buildings — 5% straight-line; Equipment — 10% straight-line; Motor vehicles — 30% diminishing balance; Leasehold improvements — over the unexpired terms of the leases. Depreciation and amortization provided in the year amounted to \$1,196,204 (1972 — \$938,427).

3. Income Taxes

The companies follow the tax allocation principle of providing for income taxes whereby deferred income taxes are set up with respect to capital cost allowances claimed for tax purposes in excess of depreciation recorded in the accounts.

In addition the companies have reduced their taxes otherwise payable for the current year through application of the special tax incentive legislation granted to processing industries.

4. Share Capital

Authorized

10,000,000 shares without par value after a two for one split confirmed by the shareholders April 25, 1973

Issued

	Number of Shares	Dollars
Balance at December 31, 1972	8,363,520	\$5,673,106
Shares issued in connection with exercise of employee share option (note 5)	21,000	63,000
Balance at December 30, 1973	8,384,520	\$5,736,106

5. Employee Share Option Plan

The company has in force a share option plan for certain of its employees under which options were taken up during the year to the extent of 21,000 shares at \$3.00 per share. Options for 2,000 shares were outstanding at the year-end exercisable at \$3.00 per share to September 12, 1974.

6. Remuneration of Directors and Officers

The aggregate direct remuneration paid by the companies to the ten directors as such was \$8,750 and to the six officers as such was \$162,776.

7. Earnings per Share

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years and after adjusting prior year's outstanding shares for the two for one split in 1973. (1973 — 8,372,020 shares; 1972 — 8,346,520 shares).

Combined Statement of Earnings

EIGHT YEARS

SCOTT'S RESTAURANTS CO. LIMITED

FOR THE 52 WEEKS ENDING

	December 30 1973	December 31 1972	December 26 1971	December 27 1970	December 28 1969	December 29 1968	December 30 1967	December 31 1966
Sales	\$57,786,438	\$46,105,190	\$38,179,295	\$30,023,495	\$18,810,516	\$11,882,891	\$9,295,392	\$6,863,291
Earnings before depreciation and amortization	10,494,493	8,807,187	7,420,232	5,430,542	3,160,152	1,852,596	1,197,937	701,065
Provision for depreciation and amortization of franchises	1,323,730	1,049,770	845,742	617,245	392,801	250,200	235,489	191,460
	9,170,763	7,757,417	6,574,490	4,813,297	2,767,351	1,602,396	962,448	509,605
Income from investments	168,743	77,968	36,293	83,382	81,473	—	14,172	11,137
Earnings before income tax	9,339,506	7,835,385	6,610,783	4,896,679	2,848,824	1,602,396	976,620	520,742
Income tax	3,950,000	3,800,016	3,381,047	2,606,666	1,511,701	839,634	499,853	265,315
Net Earnings	\$ 5,389,506	\$ 4,035,369	\$ 3,229,736	\$ 2,290,013	\$ 1,337,123	\$ 762,762	\$ 476,767	\$ 255,427
Earnings per share (after adjusting for the two for one split in 1973)	64¢	48¢	39¢	28¢	19¢	12¢	8¢	4¢
Number of Employees	2,450	2,140	1,950	1,875	1,525	992	792	791
Locations in operation	190	169	153	143	108	71	60	58



Outlets of Scott's Restaurants Co. Limited — Ontario

SCOTT'S KENTUCKY FRIED CHICKEN TAKE OUTS

Metropolitan Toronto

2000 Jane St., Weston
3765 Keele St., Downsview
1225 Danforth Ave., Toronto
851 Millwood Rd., Toronto
1638 Avenue Rd., Toronto
3351 Lawrene Ave. E., Scarboro
4755 Leslie St., Willowdale
6114 Yonge St., Willowdale
563 Gerrard St. E., Toronto
3495 Sheppard Ave. E., Scarboro
2567 Eglinton Ave. E., Scarboro
3719 Lakeshore Blvd. W., Long Branch
820 Kingston Rd., Toronto
1068 Coxwell Ave., Toronto
1760 Lawrence Ave. E., Toronto
2032 Kipling Ave. N., Rexdale
5322 Dundas St. W., Etobicoke
188 The Queensway, Toronto
1265 Lawrence Ave. W., Toronto
3810 Kingston Rd., Scarboro
829 St. Clair Ave. W., Toronto
3517 Dundas St. W., Toronto
2801 Kingston Rd., Scarboro
828 Dupont St., Toronto
1221 Dundas St. W., Toronto
11 Bloor Street W., Toronto
415 Mount Pleasant Rd., Toronto
1338 Kennedy Road, Scarboro
5 Brock Ave., Toronto
466 Queen Street West, Toronto
2243 Bloor Street West, Toronto
636 Bloor Street West, Toronto
2774 Victoria Park Avenue, Willowdale
2500 Danforth Avenue, Toronto
1300 Weston Road, Toronto
2296 Eglinton Ave. West, Toronto
2377 Finch Avenue West, Weston

Metropolitan Ottawa

1677 Bank Street
942 Merivale Road
932 St. Laurent Blvd.
190 Dalhousie Street
690 Bank Street
1943 Baseline Road
1096 Wellington Street
1667 Montreal Road
134 Sparks St.
Bells Corners — 3673 Richmond Road

Metropolitan Windsor

4449 Tecumseh Rd. E., Windsor
1916 Wyandotte St. W., Windsor
5869 Wyandotte St. E., Windsor
3006 Dougall Rd., Windsor
7435 Tecumseh Rd. E., Windsor
1797 Huron Line, Windsor
1747 Erie St. E., Windsor

Aurora — 130 Yonge Street
Belleville — 97 Station Road
Blenheim — 67 Talbot Street
Brampton — 42 Queen Street West
Brantford — 79 Charing Cross Street
— 27 Dalhousie Street
Chatham — 346 St. Clair Street
— 541 Queen Street
Clarkson — 1639 Lakeshore Road East
Cobourg — 507 Division Street
Cooksville — 965 Dundas Street East
— 1162 Dundas Street West
Cornwall — 1245 Brookdale Avenue
— East Court Mall
Delhi — 7 King Street
Galt — 499 Dundas Street
Hawkesbury — 827 McGill Street
Leamington — 277 Erie Street South
Lindsay — 63 Lindsay Street
London — 1683 Dundas Street East
— 37 Oxford Street West
— 1072 Adelaide Street
— 689 Hamilton Road
— 450 Wharcliffe Road

Malton — 7161 Goreway Drive

Oshawa — 474 Simcoe Street South
— 973 Simcoe Street North
— 574 King Street East

Paris — 28 Dumfries Street

Pembroke — 415 Pembroke Street

Peterboro — 786 Chemong Road
— 264 Water Street
— Highway #28

Port Credit — 615 Lakeshore Road East

Preston — 916 King Street

Richmond Hill — 10459 Yonge Street

Rondeau Park

Simcoe — 472 Norfolk Street

Smiths Falls — 21 Main Street

St. Thomas — 973 Talbot Street

Trenton — 186 Front Street

Wallaceburg — 1239 Dufferin Street

Whitby — 301 Dundas Street West

RESTAURANTS

234 Bay Street, Toronto
12 Victoria Street, Toronto
5322 Dundas Street West, Etobicoke
134 Sparks Street, Ottawa

HIGHWAY LOCATIONS

Highway 401

Texaco Service Centre — Port Hope
— Kingston
— Morrisburg
— Mallorytown (North)
— Mallorytown (South)
— Woodstock

Supertest Service Centre — Tilbury

Highway No. 7 — Perth, Ontario

Highway No. 2 — Lancaster, Ontario

TAKE FIVE LOCATIONS

40 Wynford Drive, Don Mills
1262 Don Mills Road, Don Mills
101 Duncan Mills Road, Don Mills
6 Lansing Square, Willowdale

DAVEY JONES FISH & CHIPS

3351 Lawrence Avenue East, Scarboro

INDUSTRIAL LOCATIONS

19 — Toronto and Ottawa

Outlets of Scott's Restaurants Co. Limited — Quebec

SCOTT'S KENTUCKY FRIED CHICKEN TAKE OUTS

Metropolitan Montreal

5850 Ave. Monkland
650 Rue Elizabeth, Laprairie
351 Rue Regina, Verdun
140 Boul. Ste-Foy, Longueuil
8710 Rue Sherbrooke East, Montreal
1670 Boul. De La Concorde, Duvernay-Laval
129 Boul. D'Anjou, Chateauguay
2110 Boul. Henri-Bourassa Est, Montreal
1551 Boul. Shevchenko, Lasalle
200 Boul. Taschereau, Greenfield Park
1110 Rue Provost, Lachine
345 Boul. St-Martin, Laval
3000 Boul. St-Charles, Kirkland
5260 Boul. de Salaberry, Montreal
9205 Boul. Lacordaire, St-Leonard
1555 Rue Beaubien Est, Montreal
8575 Boul. Pie IX, Montreal
100 Rue Notre-Dame, Repentigny
4980 Chemin Des Sources, Pierrefonds
600 Boul. Henri-Bourassa Ouest, Montreal
1595 Chemin Cote-Vertu, St. Laurent
3300 Rue Masson, Montreal
1580 Boul. Cure Labelle, Laval
6625 Ave. Victoria, Montreal
5255 Ave. Du Parc, Montreal
2997 Chemin Chambly, Longueuil
1625 Ave. Cardinal, Dorval
2880 Rue Barclay, Montreal
5601 Boul. Leger, Montreal Nord

Alma — 550 Rue Collard
Bagotville — 865 Ave. Bagot
Beloeil — 335 Boul. Sir Wilfrid Laurier
Cap De La Madeleine — 14 Rue Fusey
Chicoutimi-Nord — 466 Boul. Ste-Genevieve
Drummondville — 1605 Boul. St-Joseph
Gatineau — 258 Rue Notre-Dame
Hauterive — 685 Boul. Lafleche
Hull — 477 Boul. Tache
— 347 Boul. St-Joseph
Joliette — 1117 Boul. Manseau
Jonquiere — 340 Boul. De Centenaire
Pointe Gatineau — 52 Boul. Greber
Rimouski — 88 Ave. Rouleau
Sept-Iles — 602 Ave. Laure
Shawinigan — 1483 Rue St-Marc
Sorel — 180 Rue Fiset
St-Eustache — 104 Boul. Sauve
St-Hyacinthe — 2975 Rue Laframboise
St-Jean — 680 Boul. Du Seminaire
St-Jerome — 291 Boul. Des Laurentides
Ste-Agathe — 590 Rue Principale
Ste-Therese — 60 Boul. Labelle
Trois Rivieres — 1080 Boul. Des Recollets
Valleyfield — 314 Rue Larocque
Victoriaville — 620 Rue Notre-Dame Ouest

HIGHWAY LOCATIONS

Laurentian Autoroute — La Porte Du Nord,
St. Jerome

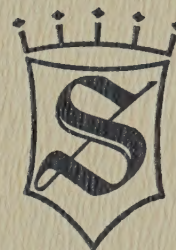
SCOTT'S RESTAURANTS CO. LIMITED

AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET

	July 15, 1973 (unaudited)	Dec. 31, 1972 (audited)
Assets		
Current		
Cash	\$ 2,075,378	\$ 2,264,607
Accounts Receivable, Inventories and Miscellaneous	976,603	739,037
	<u>3,051,981</u>	<u>3,003,644</u>
Franchise at cost less amortization	2,652,194	2,721,064
Mortgage — Due 1978	210,000	—
Fixed Assets at Cost less depreciation	16,118,275	15,143,474
	<u>\$22,032,450</u>	<u>\$20,868,182</u>
Liabilities		
Current		
Accounts payable and accrued expenses	2,421,322	3,599,620
Current portion of long term debt	18,840	39,980
Income Tax Payable	514,352	485,607
	<u>2,954,514</u>	<u>4,125,207</u>
Long Term Debt	15,000	16,000
Deferred Income Tax	622,271	552,146
	<u>3,591,785</u>	<u>4,693,353</u>
Shareholders' Equity		
Share Capital (8,371,520 shares at July 15, 1973)	5,697,106	5,673,106
Retained Earnings	12,743,559	10,501,723
	<u>18,440,665</u>	<u>16,174,829</u>
	<u>\$22,032,450</u>	<u>\$20,868,182</u>

Scott's Restaurants Co. Limited

AR49



Interim Report to Shareholders

28 WEEKS ENDED JULY 15, 1973

SCOTT'S RESTAURANTS CO. LIMITED

AND SUBSIDIARY COMPANIES

(unaudited interim report)

CONSOLIDATED STATEMENT OF EARNINGS

	<i>For the 28 weeks ended</i>	
	<i>July 15, 1973</i>	<i>July 9, 1972</i>
Sales	<u>\$29,254,371</u>	<u>\$22,768,356</u>
Earnings before depreciation and amortization	5,173,383	4,234,295
Provision for depreciation and amortization of franchise	<u>645,874</u>	<u>523,510</u>
	4,527,509	3,710,785
Income from investments	47,668	33,565
Earnings before Income Tax	4,575,177	3,744,350
Income Tax	<u>2,333,341</u>	<u>1,834,700</u>
Net Earnings	<u>\$ 2,241,836</u>	<u>\$ 1,909,650</u>
Earnings per share	<u>26.8¢</u>	<u>22.8¢</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS

Net Profit for the period	\$ 2,241,836	\$ 1,909,650
Add Expenses not requiring cash expenditure including depreciation, amortizations and deferred income tax	<u>715,999</u>	<u>570,617</u>
Funds provided by operations	2,957,835	2,480,267
Proceeds from shares issued under employee option plan	24,000	24,500
Other	<u>—</u>	<u>788</u>
	<u>\$ 2,981,835</u>	<u>\$ 2,505,555</u>

APPLICATION OF FUNDS

Additions to Fixed Assets — Net	1,551,805	1,825,503
Reduction of Long Term Debt	1,000	42,120
Mortgage Receivable Due 1978	<u>210,000</u>	<u>—</u>
	<u>1,762,805</u>	<u>1,867,623</u>

INCREASE IN WORKING CAPITAL	1,219,030	637,932
Working Capital (deficiency) beginning of period	<u>(1,121,563)</u>	<u>(959,156)</u>
Working Capital (deficiency) end of period	<u>97,467</u>	<u>(321,224)</u>

Price changes

Scott's raises chicken costs in Ontario

FEB 24 1973

Scott's Restaurants Co. Ltd. of Toronto, which operates Kentucky Fried Chicken outlets in Ontario and Quebec, has increased by 17.5 per cent the price of chickens sold through its Ontario outlets and of salads and french fries sold in Ontario and Quebec.

The increases will result in an over-all sales gain of about \$2-million. Scott's says, one-half from chickens and one-half from the ancillary products.

The company attributes the rise in chicken prices to higher costs for the commodity in Ontario while the increases in the ancillary products offset higher labor costs and taxes.

185	188	185		175	188
\$15 1/4	13 3/4	13 3/4	- 1 1/4	15 1/4	11 1/2
90	80	80	- 12	100	61
275	220	225		300	220
\$20 5/8	19	19 1/4		21 1/2	19
\$11 1/4	10 7/8	10 7/8	- 1/8	12 1/2	10
\$44 1/2	44	44		48	40
65	64	64		70	60
\$5 1/8	5	5 1/8	+ 1/8	5 1/4	4 1/4
\$5 5/8	5 1/4	5 1/4		5 3/4	5 1/4
\$8 1/8	7 1/4	7 3/8		9	7 1/4
\$8 1/2	8 1/2	8 1/2		8 1/2	6 1/4
500	500	500		525	465
305	290	290	- 10	350	265
\$52	52	52	+ 1/2	54	47 1/2
125	120	120	Unch	170	107
320	310	310	Unch	325	290
\$11 5/8	11 1/2	11 1/2		12	9 1/2
\$21 3/4	21 1/4	21 3/4		23 3/4	21 1/4
270	270	270	- 45	315	235
280	255	265	- 15	300	255
38	38	38		45	38
\$16	16	16		16 1/2	15
\$9 3/8	9 3/8	9 3/8	Unch	9 3/8	7 3/4
\$30 1/4	30 1/4	30 1/4		31 3/4	29 1/2
\$9 3/4	9 1/2	9 1/2		10	9 1/2
arrants and Rights					
30	30	30		30	30
\$32	32	32		32	32
\$5 3/4	5 3/4	5 3/4		6 1/2	5 1/2
45	40	45		55	40
275	275	275	+ 25	275	190
265	265	265	- 5	310	190
1000	960	960		1000	800
Industrials:				563,882	
18 Declines,				67 Unchanged	

Oils

72	66	70	+ 10	72	55
130	112	120	- 12	145	101
195	175	190	+ 5	230	165
66	60	60	- 8	82	59
170	159	160	- 10	185	145
885	875	375		885	875
145	137	137	- 8	145	110
171	171	171		190	171
39 1/2	35	35	Unch	53	35
127	115	120	- 5	135	115
75	70	70	Unch	99	65
19	16 1/2	16 1/2		20	13 1/2